

Message Text

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47

ACTION EB-07

INFO OCT-01 AF-06 ARA-06 EUR-12 EA-07 NEA-10 IO-10 ISO-00

ERDA-05 AID-05 CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00

FEAE-00 FPC-01 H-02 INR-07 INT-05 L-03 NSAE-00 NSC-05

OMB-01 PM-04 USIA-06 SAM-01 OES-03 SP-02 SS-15 STR-04

TRSE-00 PA-01 PRS-01 /132 W

----- 100475

R 141814Z OCT 75

FM AMEMBASSY BONN

TO SECSTATE WASHDC 3610

AMEMBASSY PARIS

INFO AMEMBASSY BERN

AMEMBASSY STOCKHOLM

AMEMBASSY THE HAGUE

AMEMBASSY MADRID

AMEMBASSY COPENHAGEN

AMEMBASSY OSLO

AMEMBASSY LONDON

AMEMBASSY DUBLIN

AMEMBASSY WELLINGTON

USMISSION USUN NEW YORK

AMEMBASSY TOKYO

AMEMBASSY OTTAWA

AMEMBASSY CARACAS

AMEMBASSY BRASILIA

AMEMBASSY VIENNA

AMEMBASSY LUXEMBOURG

AMEMBASSY BRUSSELS

USMISSION EC BRUSSELS

AMEMBASSY ROME

AMEMBASSY ANKARA

AMEMBASSY TEHRAN

AMEMBASSY JIDDA

AMEMBASSY NEW DELHI

AMEMBASSY KINSHASA

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USMISSION OECD PARIS

AMEMBASSY ALGIERS
AMEMBASSY LIBREVILLE
AMEMBASSY LAGOS
AMEMBASSY TRIPOLI
AMEMBASSY KUWAIT
AMEMBASSY ABU DHABI
AMEMBASSY DOHA
AMEMBASSY QUITO
AMEMBASSY JAKARTA
AMEMBASSY TEL AVIV

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KUWAIT PLEASE PASS BAGHDAD

E.O. 11652: N/A

TAGS: ENRG, GW

SUBJECT: ENERGY DISCUSSION IN BONN

1. SUMMARY. AT ENERGY SYMPOSIUM OCTOBER 13-14, FRG
OFFICIAL REITERATED OPPOSITION TO OIL-PRICE
INDEXATION, AND BILATERAL GOVERNMENT DEALS ON OIL
PRICE AND VOLUME. SHAYKH YAMANI MADE STRONG CASE
FOR OPEC'S DEMANDS. LEITMOTIF WAS INTERDEPENDENCE
AND NEED FOR COOPERATION. END SUMMARY.

2. OCTOBER 13-14 ENERGY SYMPOSIUM AT SPD-SPONSORED
FRIEDERICH EBERT FOUNDATION IN BONN, ATTENDED BY
EMBOFF, CANVASSED MOST ISSUES UNDER DISCUSSION IN
PARIS PREPCON. IN GENERAL, ALL SPEAKERS STRESSED
INTERDEPENDENCE AND NEED FOR LONG-TERM COOPERATION
BETWEEN OIL PRODUCERS AND OIL CONSUMERS. REMARKS
BY ECONMINISTRY STATE SECRETARY ROHWEDDER AND SAUDI
ARABIA'S (SAG) SHAYKH AHMED YAMANI WERE HIGH POINTS.

3. ROHWEDDER EXPRESSED HOPE THAT UK WILL YET BE
PERSUADED TO ACCEPT EC-9 REPRESENTATION IN FORTHCOMING
DIALOGUE. HE SAW A "GROTESQUE SITUATION" IN THAT
EC STILL HAS NO COMMON ENERGY POLICY AND -- IN HIS
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VIEW -- IS AS UNPREPARED FOR NEW ENERGY CRISIS AS
IT HAD BEEN IN 1973. HE REJECTED AS UNATTAINABLE
ANY "PROJECT INDEPENDENCE" FOR WEST GERMANY. HE
REITERATED FRG OPPOSITION TO INDEXATION OF OIL PRICES
(BUT NOT NECESSARILY TO INDEXATION OF OTHER
COMMODITIES -- A SUBJECT WHICH HE SAID WOULD REQUIRE
LENGTHY CASE-BY-CASE REVIEW) AND TO GOVERNMENT-TO-
GOVERNMENT AGREEMENTS ON OIL PRICE AND SUPPLY. IN

GENERAL, ROHWEDDER GAVE IEA HIGH MARKS FOR ITS FIRST YEAR, STRESSING OIL-SHARING CRISIS MECHANISM AND EFFORTS TOWARD PROGRAM OF LONG-TERM COOPERATION FOR DEVELOPMENT ALTERNATIVE ENERGY SOURCES.

4. BOTH ROHWEDDER AND RESEARCH/TECHNOLOGY MINISTER MATTHOFER STRESSED FRG INTENTION TO COMPETE VIGOROUSLY FOR EXPANDING WORLD MARKET IN NUCLEAR ENERGY. ROHWEDDER ADDED THAT FRG WILL SELL CIVILIAN NUCLEAR EQUIPMENT ONLY TO COUNTRIES WITH "PEACEFUL INTENTIONS."

5. SHAYKH YAMNI MADE FORCEFUL CASE FOR "LEGITIMATE INTERESTS OF PETROLEUM-EXPORTING COUNTRIES." HE SPOKE IN PART FOR SAG, IN PART FOR ALL OPEC, THOUGH DISTINCTION WAS NOT ALWAYS CLEAR. HE DEFINED OPEC INTERESTS AS:

A. RIGHT TO CONTROL PRODUCTION OF NATURAL RESOURCES. YAMANI SAID THAT OPEC STATES PRODUCE FAR MORE OIL THAN THEIR REVENUE NEEDS REQUIRE, IN ORDER TO MEET OIL NEEDS OF INDUSTRIALIZED STATES AND THEREBY TO OBTAIN TECHNOLOGY. HE SAID OPEC WOULD REVERT TO (UNSPECIFIED) "OTHER POLICY" IF WEST SHOULD REFUSE TO CONTINUE THIS RECIPROCITY.

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B. UNQUALIFIED RIGHT TO SET OIL PRICES UNILATERALLY.
YAMANI SAID SAG DOES NOT SEEK HIGHEST "POSSIBLE
PRICE" AND REALIZES THAT ABRUPTNESS OF 1973/1974
HIKES HAD CAUSED PROBLEMS FOR INDUSTRIAL WORLD.
HOWEVER, YAMANI SAID HIGHER PRICES WERE LONG OVERDUE
AND HAD IN FACT ALSO SERVED WESTERN INTERESTS BY

CONSERVING ARAB OIL AND BY FACILITATING QUEST FOR NEW, MORE EXPENSIVE SOURCES (E.G., ALASKA, NORTH SEA). YAMANI SAID SAG BELIEVES THAT NEW OIL PRICE MUST LAST THROUGH END 1976; IT DOES NOT AGREE WITH ARGUMENT THAT PRICE MUST RISE TO LEVEL OF EXPENSIVE "ALTERNATIVE SOURCES" (WHICH HE DEFINED AS EQUIVALENT TO \$15-16 PER BARREL OF ARABIAN LIGHT). YAMANI DENIED THAT OIL-POOR THIRD WORLD HAD SHOWN ANY BITTERNESS OVER HIGHER OIL PRICES, IN CONTRAST TO ITS RESENTMENT AT "OTHER PRICES" (HIS IMPLICATION WAS PRICES FOR INDUSTRIAL GOODS).

C. SECURITY/STABILITY OF OIL STATES WHICH EQUIVALENT TO SECURITY OF OIL FLOW TO WEST. IN THIS CONTEXT YAMANI REFERRED SEVERAL TIMES TO PLIGHT OF PALESTINIANS WHICH HE SAID IS CAUSED BY ISRAELI SEIZURE OF LANDS IN 1967 AND CONSTITUTES A THREAT TO PEACE IN THE AREA. HE CHASTISED WESTERN EUROPE, USG SEVERELY FOR "MASSIVE" AID TO ISRAEL. YAMANI

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DUCKED QUESTION RE PROPRIETY OF THREATENING OIL CUTOFF AS MEANS OF PUTTING POLITICAL PRESSURE ON WEST, BUT HE ASSURED AUDIENCE THAT THERE WOULD BE NO SUPPLY CUTS IF PEACE RETURNS TO MIDDLE EAST, I.E., IF ISRAEL GOES BACK TO 1967 BORDERS.

D. MANAGEMENT OF OPEC SURPLUSES OF CURRENT ACCOUNT. YAMANI SAID THIS HAS PROVED EASIER THAN EARLIER CASSANDRA PREDICTIONS PROCLAIMED BY "HOSTILE" PRESS. RISING IMPORTS, INFLATION HAD REDUCED THESE SURPLUSES. YAMANI CITED RECENT BANK STUDIES (CHASE, FIRST CITY, MORGAN) SHOWING THAT OPEC PRODUCERS WILL BE IN DEFICIT BY 1980/1981, AND WILL THEN USE THEIR ACCUMULATED SURPLUSES (BETWEEN \$180 AND \$450 BILLION) TO ACHIEVE DOMESTIC ECONOMIC GOALS. HE STRESSED THAT OIL PRODUCERS WANT TO FIND A WAY TO PROTECT VALUE OF THESE ASSETS, AND TO OBTAIN EVEN GREATER VOICE IN IFIS.

6. YAMANI CONCEDED DIFFERENCES IN OPEC FAMILY, SPECIFICALLY CITING IRAN. HE STRESSED THAT COMMON OPEC GOALS OVERRIDE THESE DIFFERENCES, THOUGH, AND ADDED THAT CLEAVAGES IN IEA CAMP ARE EVEN GREATER. YAMANI IMPUTED CONFRONTATIONAL PURPOSE TO IEA BUT FOUND THAT WESTERN EUROPE AND JAPAN APPEAR "NOT VERY LOYAL" TO IEA GOAL, WHICH HE DEFINED AS "DEPRIVING ARABS OF OIL POWER." HE SAW TWO COMPETING VIEWS IN US: ADMINISTRATION QUEST FOR OIL-PRICE RISE TO ENCOURAGE MASSIVE INVESTMENT IN ORDER TO REDUCE LONG-

TERM DEPENDENCE ON FOREIGN OIL VS. CONGRESS' QUEST
FOR CONTINUED PRICE CONTROLS TO SERVE SHORT-TERM
CONSUMER INTERESTS.

7. YAMANI ENDED BY EXPRESSING HOPE THAT DIALOGUE
WILL GENERATE ENOUGH GOOD WILL TO LEAD TO RECONCILIA-
TION OF MAJOR DIFFERENCES BETWEEN PRODUCERS AND
CONSUMERS. HILLENBRAND

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Message Attributes

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Draft Date: 14 OCT 1975
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